



Fact Sheet

Media Relations Office

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ABUSIVE TAX SHELTERS**BACKGROUND**

Curbing abusive tax shelters is a priority for the Internal Revenue Service and the Treasury Department. Dealing with abusive tax shelters is a major strategic initiative for the IRS Large and Mid-Size Business (LMSB) Division.

OFFICE OF TAX SHELTER ANALYSIS

LMSB's Office of Tax Shelter Analysis (OTSA) was established in February 2000 as an IRS focal point for tax shelter compliance initiatives across divisions. OTSA is responsible for coordinating and planning tax shelter initiatives and supporting IRS examiners working abusive tax shelter issues. OTSA serves as a clearinghouse for information provided to the IRS on potentially improper tax shelter activity by corporate and non-corporate taxpayers.

IRS ACTIONS TO COMBAT ABUSIVE TAX SHELTERS

- Developing programs for early identification of abusive tax shelters and formulating strategies to deal with them.
- Maintaining a "Tax Shelter Hotline," a conduit for anyone to submit information to the IRS relative to particular tax shelter transactions.
- Implementing both Pre-filing Guidance and Pre-Filing Agreements on abusive tax shelter issues.
- Pursuing promoters of abusive tax shelters to secure names of their investors.
- Requiring promoters to register tax shelters, and opening investigations where promoters fail to register.
- Elevating abusive tax shelters to the status of a strategic initiative for LMSB.
- Ensuring coordination of abusive tax shelter cases with IRS LMSB, Office of Chief Counsel, other divisions within IRS and the Department of Treasury.
- Providing increased tax shelter training and education to IRS revenue agents.
- Pursuing legal sanctions against promoters of abusive tax shelters to the extent necessary.

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DETERRING THE PROMOTION OF ABUSIVE TAX SHELTERS

A critical part of the overall LMSB strategy is deterring the promotion of abusive tax shelters through specific regulations, including:

- **Registering Shelters.** Tax shelter promoters are required to apply for a unique registration number for each tax shelter (per IRC 6111) via Form 8264. This registration number enables the Technical Advisor to trace transactions considered to be structured primarily for tax avoidance or evasion. All registrations are reviewed upon receipt for completeness, and promoters are contacted to provide missing information. Those registering are issued a Tax Shelter Registration number, which is entered into a database, classified and filed. Over 3,092 tax shelter registrations have already been filed, and LMSB's Tax Shelter Committee has approved investigation of five promoters for Failure to File Tax Shelter Registrations.
- **Requiring Taxpayers to Disclose "Reportable Transactions."** Participation in reportable transactions must be reported by attaching a statement to income tax returns.
- **Analyzing Current Tax Shelter Cases.** A national survey was conducted in October 2000 to identify the current in-process inventory. Survey results will assist in workload planning, issue coordination and the identification of emerging issues.
- **Contacting Tax Shelter Promoters.** LMSB's Tax Shelter Committee has approved the issuance of 28 letters to 22 different promoters including 7 accounting firms, 7 bank and security firms and 14 other promoters.
- **Utilizing Sources of Information for Promoter Investigations:** LMSB has received information from 12 Disclosure Statements, 7 Tax Shelter Registrations, 5 Tax Shelter Hotline calls, 7 LMSB Examinations and 2 others.

CONTACTING THE "TAX SHELTER HOTLINE"

Anyone wishing to submit information relative to particular tax shelter transactions or activities may contact the Tax Shelter Hotline via mail, telephone, fax or e-mail:

Mailing Address:

Internal Revenue Service
Office of Tax Shelter Analysis
LM:PFT:OTSA
1111 Constitution Avenue, NW
Washington, DC 20224

Telephone: (202) 283-8740

Fax: (202)283-8354

E-mail: irs.tax.shelter.hotline@irs.gov

Members of the news media with questions can contact IRS Media Relations at (202) 622-4000.

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